

ROUTING

Top Secret

233

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday September 15, 1976

CI NIDC 76-217C

NATIONAL SECURITY INFORMATION

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Approved For Release 2007/03/07 : CIA-RDP79T00975A029300010024-0

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National Intelligence Daily Cable for Wednesday September 15, 1976

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] Arab mediators are trying to promote a meeting of Yasir Arafat, Lebanese president-elect Sarkis, and Syrian Prime Minister Khulayfawi in another attempt to implement the Damascus accord concluded between Syria and the Palestine Liberation Organization in late July.

25X1 [] The Damascus accord calls for a cease-fire, Palestinian adherence to the restrictive Cairo accords, and the opening of roundtable negotiations under Sarkis. Efforts to implement the agreement in July failed because the Syrians and Palestinians were unable to agree even on the composition of a cease-fire committee, and because of lingering Syrian suspicions that the Palestinians were only playing for time to rearm and fortify their positions.

25X1 [] The pro-leftist radio in Beirut announced yesterday that the PLO and its leftist allies had approved the meeting, which is being pushed by the Saudi and Tunisian foreign ministers and Arab League mediator al-Khuli. Christian leaders, however, have reportedly made their approval contingent on President Franjiyah being represented, and Sarkis has apparently indicated that he will not attend such a meeting before his inauguration without Franjiyah's approval.

25X1 [] //Damascus has yet to respond to the proposal, 25X1
but presumably would welcome it. Syrian President Asad has 25X1
shown some renewed interest in a political settlement

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[REDACTED] //Although battle lines have been almost static over the past month, the Christians apparently have reason to hope that their continual blockade and bombardment of Tripoli will soon cause the city to fall from within.//

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[REDACTED] Leftist leader Kamal Jumblatt has expressed some reservations about the proposed tripartite meeting, insisting again that Syria should honor its pledge to withdraw from Sawfar, Jazzin, and the north as a first step towards complete withdrawal.

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[REDACTED] October 18, meanwhile, was named yesterday as the date for the start of the Arab League summit conference on Lebanon. The summit will be held in Cairo.

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SOUTH AFRICA: Work Boycott

25X1 [] The work boycott by blacks living in Soweto, near Johannesburg, continued into its second day, with 70 to 90 percent absenteeism reported by the city's business firms.

25X1 [] The township itself was relatively quiet with only a few scattered instances of violence. The neighboring township of Alexandra was cordoned off by police in an effort to prevent the boycott from spreading.

25X1 [] Reports continue to circulate in Cape Town that a work boycott will begin there but perhaps not until next week.

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PANAMA: Demonstrations

25X1 [] //The Torrijos government, on the defensive domestically after three days of demonstrations spurred by economic discontent, is likely to press harder for movement in the Panama Canal treaty negotiations in an effort to distract its critics.//

25X1 [] //Violent demonstrations sparked by several student groups erupted last Friday and again on Monday in Panama City and its suburbs. There were peaceful protests again yesterday.//

25X1 [] //Recent price rises were the demonstrators' primary concern. The disorders, which involved several thousand people including hoodlums and looters, resulted in perhaps 200 arrests and reported damages of \$2-3 million. The protests were clearly aimed at the government, with almost no anti-US overtones.//

25X1 [] //President Lakas, who met with demonstrators Monday, was reportedly given a 48-hour deadline to roll back prices. Further demonstrations may take place if the government does not meet at least some of the demands.//

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25X1 [redacted]
[redacted] //Panamanian leaders are also concerned that if the treaty talks are not resumed soon, the US elections could delay negotiations.//

25X1 [redacted] //Torrijos has several options. He could meet with students and even lower some prices, although this would aggravate economic problems. Regardless of any economic moves, he is almost certain to press harder for a resumption of treaty talks and visible signs of progress to headline at home.//

25X1 [redacted] //Torrijos could well decide to push for action at this year's UN General Assembly. A less likely possibility would be to use the US as a scapegoat domestically by alleging economic pressures or destabilization efforts. This could incite larger demonstrations that Torrijos might not be able to control, and could also upset the negotiations.//

25X1 [redacted] //Torrijos, with the National Guard solidly behind him, does not yet face a serious threat, but domestic pressures are mounting, and the decline in his popularity could lead him to act without fully considering the possible results. [redacted] 25X1

25X1 [redacted]
USSR: Agriculture

25X1 [redacted] Total agricultural output in the USSR this year will be about the same as in the poor year of 1975. A large increase in crop output will be offset by a sharp decline in livestock production.

25X1 [redacted] We now estimate Soviet grain production this year at 200 million metric tons, up 5 million tons from our estimate in early August. Although grain is the USSR's single most important crop, other crops as a group rival grain in their impact on agricultural production and on the country's net import position.

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[] Potatoes--an important food and feed crop--are a partial substitute for grain and can either make up part of a grain shortfall when plentiful or substantially swell Soviet requirements for feed grain after a poor crop. Sunflower seeds supply three quarters of the vegetable oil and sugar beets provide four fifths of the sugar consumed yearly in the USSR. Cotton exports earn sizable amounts of hard currency.

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[] Our preliminary estimates indicate that the Soviets will harvest about 90 to 95 million tons of potatoes, close to their average production for the past five years, and about 85 million tons of sugar beets, 28 percent more than in 1975. Cotton and vegetable crops will approach all-time highs, and the sunflower seed crop will be only 10 percent below the 1973 record level.

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[] The 19 percent jump in crop production will be offset by an estimated 13 percent drop in output of livestock products--the result of earlier distress slaughtering. Meat production probably will be about 12.5 million tons, off 17 percent from 1975. Milk production will be roughly 85 million tons, a drop of 6 million tons from last year, and egg output could be off as much as 17 percent.

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[] The expected increase in feed availability offers hope to consumers for some relief from shortages of livestock products. September should see a moderate increase in meat production from the severely depressed July level, but shortages will persist during the rest of the year.

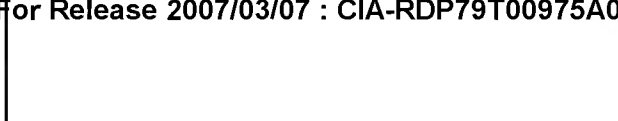
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[] The current expansion in herd inventories reflects good pasture and forage crops this summer and the larger grain harvest. By January 1, hog numbers will reach an estimated 90 percent of the January 1, 1975 level, and poultry, 95 percent; both represent more rapid recoveries than occurred following the 1963 distress slaughter. Cattle numbers, which have changed little throughout the period, will be about 2 percent above January 1, 1975 levels. The average slaughter weight of cattle, however, will still be down substantially.

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[] The improved crop prospects for the year reduce the need for imports of agricultural commodities--notably grain--and release for export greater quantities of cotton, sugar, and

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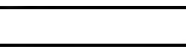



vegetable oil. Last year's poor harvest disrupted the USSR's traditional agricultural trade patterns, as imports of farm commodities mushroomed while exports fell substantially.

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 Unless there are quality problems with this year's crop, we expect the Soviets to hold grain purchases to about 14 million tons. At current prices, purchases of this size would cost roughly \$2 to 2.5 billion. Last year's purchases of 27 million tons cost almost \$4.5 billion.


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 With a good sugar beet crop, the USSR may increase sugar exports. Exports of vegetable oil will be expanded, cotton will again be available for sale, and meat purchases will drop to more normal levels. 


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MEXICO: Peso Support

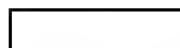
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 Mexico will support the peso at a level 37 percent below its dollar value before the currency was floated two weeks ago.

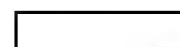
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 The move, announced on Sunday, is an attempt to eliminate uncertainties created by the government's failure to prepare the people for the float and to reassure them that the government is in control of the situation. The public impression that a new parity has been set with the announcement, however, could lead to a greater outcry if there are further changes in the peso's value.


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 By not referring to its action as a repegging of the peso, the government hopes to keep open its options for further adjusting the value of the currency if the current exchange rate becomes unsupportable.

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 The government's announcement came as the peso continued to strengthen against the dollar. The peso's value edged up slightly last week to 4.90 cents on Friday from 4.87 cents on Wednesday. The new supported level would be just above 5 cents; before the float it had been pegged at 8 cents.

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 Pressures resulting from skyrocketing prices, shortages of goods, and labor's demand for a quick return to a fixed rate of exchange apparently led President Echeverria to decide in



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favor of early establishment of a supported level for the currency. Mexican officials had been saying earlier that an extended float was necessary.

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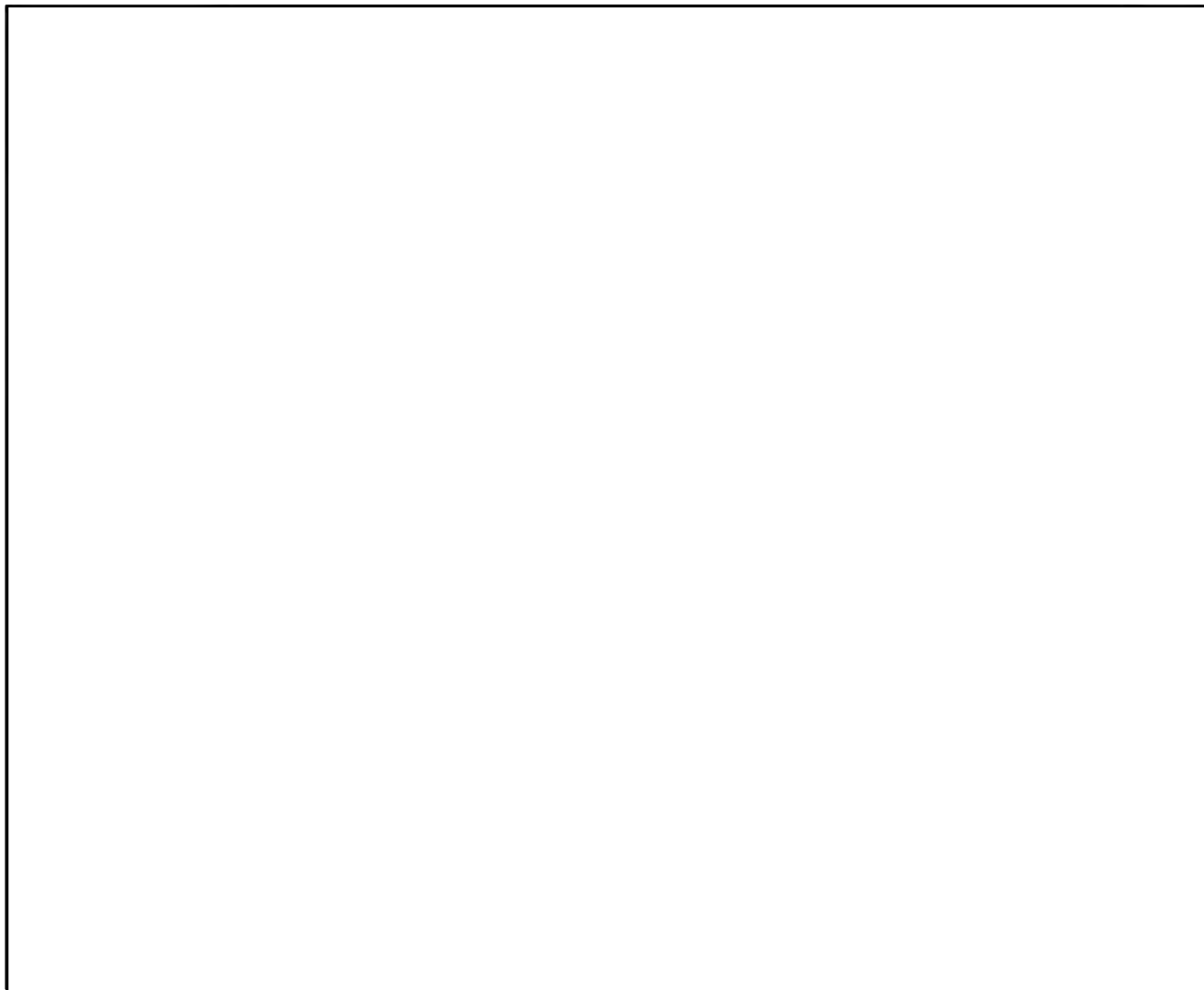
[redacted] Echeverria's yielding to pressure raises doubts about his future anti-inflation programs. How far his government is prepared to go in controlling inflation will be made clearer when it announces new official price levels and the size of a promised wage increase for federal workers. [redacted]

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YUGOSLAVIA-ROMANIA: Talks

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[REDACTED] During their talks in Yugoslavia last week, presidents Ceausescu and Tito evidently concentrated on coordinating their strategy toward Moscow and on scotching speculation that there are differences between them.

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[REDACTED] Tito, reportedly tired after the Colombo summit and suffering from an "acute liver disease," nevertheless went all out to show that Belgrade and Bucharest have no problems.

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He greeted Ceausescu at the airport and saw him off despite Yugoslav protocol rules that exempt him from such fatiguing duties.

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[] The two leaders held lengthy discussions that reportedly underlined the closeness of their views on all questions of mutual interest. One highlight was Tito's signing of a joint declaration, the first part of which closely follows Ceausescu's ten principles of national independence and non-interference in internal affairs. Belgrade had previously resisted Romanian requests for such an endorsement.

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[] In the declaration the two presidents emphasized their determination to cooperate closely in pursuing their independent courses. They also:

--Praised the free exchanges of views at the recent European communist conference.

--Voiced anxiety that certain powers are seeking to "legalize" the right to interfere in the internal affairs of others--a reference primarily to the so-called Brezhnev doctrine.

--Welcomed the Helsinki accords, but noted the lack of concrete steps to implement them.

--Stressed the need for positive achievements at the follow-on meeting in Belgrade next year, which, they fear, Moscow is seeking to play down.

--Reaffirmed their intention cautiously to pursue multilateral cooperation in the Balkans.

--Emphasized nonaligned issues, praising the Colombo summit for renouncing "all forms of foreign domination and exploitation." Moscow and its allies have criticized some members of the movement for accusing both the USSR and the US of attempting to exploit the third world.

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[] During the talks the two leaders also reiterated standard pledges of "all-around assistance" to national liberation movements, and called for democratization of the United

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Nations, dissolution of military blocs, and the creation of a new international economic and political order.

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[] The two sides signed a number of bilateral economic cooperation agreements including an understanding on a major new hydroelectric project. []

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USSR: Kirillin

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[] Deputy Premier Kirillin told Ambassador Stoessel last week that the next five-year plan is almost completed and that the Supreme Soviet will meet next month to approve it. He also said that the 15-year plan for 1976 to 1990 is far from completed and has shrunk to a 10-year plan for 1981 to 1990.

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[] Work on the plan may be one of the tasks assigned to a new Institute of Systems Research established under the directorship of Dzherman Gvishiani, deputy chairman of the State Committee for Science and Technology and Premier Kosygin's son-in-law.

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[] Kirillin, who is chairman of the committee for science and technology, said that the main focus of Gvishiani's institute would be on forecasting developments in the Soviet economy and state. Gvishiani's idea is to concentrate on comprehensive planning, embracing all fields. One problem, according to Kirillin, is that forecasting is now scattered among more than 100 institutions.

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[] When asked how the new institute's work would relate to that of Gosplan, Kirillin replied that he thought the institute should help Gosplan in formulating long-term plans. The relationship may be strained, since the use of forecasting has been a divisive question among Soviet economists.

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[] Gvishiani's institute is a gain for mathematical economists who, under the leadership of N. P. Fedorenko, have pushed for more forecasting in planning and the use of systems analysis and the program-goal principle. Their approach has been fought by traditionalists, especially those in Gosplan.

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NORTH KOREA - SOUTH KOREA: UN Confrontation

25X1 [] North Korea is once again on the diplomatic offensive, hoping to build a communist and third world majority behind its position at the UN this fall. Pyongyang's supporters recently submitted a resolution calling for the withdrawal of "UN forces" and an end to "foreign aggression" in Korea.

25X1 [] Pro - South Korean forces have filed a counter resolution, emphasizing the need to maintain some kind of armistice machinery in Korea and to include Seoul in any future Korean security talks.

25X1 [] Although the outlook could change as a result of hard lobbying by Pyongyang and Seoul, it now appears that the outcome at the General Assembly this fall will be essentially the same as last year when two conflicting Korean resolutions were passed.

25X1 [] When the pro - North Korean UN resolution was passed last fall--for the first time--and the pro - South Korean resolution was passed by only a narrow margin, it appeared that Pyongyang might have enough momentum to achieve an outright defeat for Seoul this year. Recently, however, a number of developments have improved the prospects for passage again of South Korea's resolution:

--Divisions in the nonaligned movement. At the Colombo summit, the nonaligned countries had difficulty obtaining a consensus on political problems, such as Korea. Although North Korea rammed through a harshly worded resolution, at least 23 of 85 attending countries--in an unusual display of dissent--registered formal reservations. About half of the reservations came from long-time Seoul supporters, but nearly half came from states that abstained on both Korean resolutions at the UN last year.

--//An improved pro-Seoul lobbying effort. South Korea and its principal backers--including the US, Japan, the UK, and Canada--have been meeting periodically in New York to coordinate lobbying efforts around the world. The Japanese and British, in particular, are taking on more responsibility for promoting South Korea's case. These efforts probably contributed to the criticism of the North Korean

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resolution at Colombo. The lobbying probably also influenced several of the nonaligned states which co-sponsored Pyongyang's resolution last year to indicate recently that they may be open to a more balanced approach.//

--A more extreme pro - North Korean UN resolution. While it is not as harsh as the Colombo formulation, the pro-Pyongyang UN resolution this fall is more extreme than any presented at the UN in recent years. Indeed, the tone seems poorly designed to woo many votes from the growing bloc of UN members who, weary of the annual Korea debates, want to avoid any greater involvement with either side.

--Panmunjom. The incident advanced North Korean objectives insofar as it drew world attention to a tense situation in Korea and to the continuing US presence there. Even so, the fallout from Panmunjom at the UN seems likely to favor Seoul's prospects slightly because--except in the communist and radical third-world states--North Korea has been held responsible for the incident.

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[] On the other hand, there are factors favoring the North Koreans. Pyongyang has won priority for its resolution this year, which will improve its prospects a bit. Reporting from Colombo indicates that North Korean diplomats have polished somewhat their often blunt and abrasive negotiating tactics.

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[] Even in the event that the North's resolution passes, and the South's fails, the damage to Seoul is likely to be limited. The result could be additional pressures for US troop withdrawals, some erosion of Seoul's international standing, and a limited blow to South Korean morale.

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[] The General Assembly's action will not, however, be legally binding on any party. An adverse vote is unlikely to affect the South Korean economy or Seoul's relations with its major allies or trading partners, or to seriously hurt confidence within South Korea. []

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IRAQ: President Bakr's Health

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[] The US interests section in Baghdad has been informed by a British embassy official that President Bakr suffered a stroke on August 27.

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[REDACTED]//This latest incident in Bakr's history of poor health, which includes recurring heart trouble and diabetes, may speed up the consolidation of power in the hands of 39-year-old strongman Saddam Husayn. Should Bakr die or resign soon, the transition would probably be untroubled, although Saddam Husayn's hold on power might be threatened if he is unable to secure the backing of the military--where Bakr's strength has been based.//

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[REDACTED]//During the past four years, it has become clear that Saddam Husayn is the dominant figure in the regime by virtue of his control of the Baath Party organization and the party's pervasive security apparatus. Saddam's ascendancy has been facilitated by the declining health of Bakr, who has for some time largely been relegated to a ceremonial role.//

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[REDACTED]//If Bakr leaves the scene, Saddam Husayn's long range problem of retaining the loyalty of the military council could become more difficult. Saddam may even arrange to have a trusted military figure succeed Bakr in an effort to persuade the generals that their interests will continue to be represented in the post-Bakr regime.//

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[REDACTED]//The generally distant and often strained relations between Saddam--who heads the party's civilian wing--and senior military men were exacerbated by his sudden promotion

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in early January to the rank of Lieutenant General. Saddam had neither military service nor rank prior to his appointment.//

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[redacted] //The move, making Saddam Iraq's senior officer after Bakr, presumably was intended to strengthen his hand when Bakr, who is head of the party's military wing, steps down.// [redacted]

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CANADA: Cabinet Shuffle

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[redacted] The cabinet shuffle Prime Minister Trudeau announced last night is aimed at increasing support for his Liberal Party, which is now at its lowest ebb since he took office in 1968.

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[redacted] Foreign Minister MacEachen took over the post as government leader in the House of Commons as well as that of deputy prime minister. The public works minister and postmaster general were also replaced.

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[redacted] //The shuffle will improve the Liberals' tarnished image, but falls short of the overhaul needed to end the malaise of the Trudeau government.// [redacted]

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